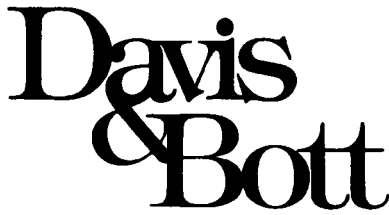


**Snowville Town**  
**June 30, 2006**

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Certified Public Accountants, L.C.

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Tremonton, Utah 84337  
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The Mayor and Town Council  
Snowville Town  
Snowville, UT 84336

We have audited the accompanying financial statements of the governmental activities and each major fund of Snowville, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Snowville, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

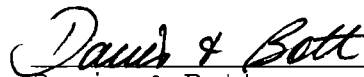
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Snowville, Utah, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report  
Snowville Town

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006, on our consideration of Snowville, Utah's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, and on pages 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Davis & Bott

Certified Public Accountants, L.C.

November 6, 2006

**Snowville Town  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

As management of Snowville, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the Town exceeded its liabilities at June 30, 2006, by \$705,219. Of this amount, unrestricted net assets of \$185,412 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$99,730 over the prior fiscal year. The increase resulted mainly from the grants received for the fire truck and ambulance.
- C. As of June 30, 2006, the Town's governmental funds reported combined ending fund balances of \$134,317, a decrease of \$110,867 in comparison with the prior fiscal year. The entire fund balance amount is unreserved and available for spending.
- D. At June 30, 2006, the unreserved fund balance for the general fund was \$82,300, or 19 percent of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

*See Accountants' Report*

**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, and parks and cemetery. The Town has no business-type activities.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

*See Accountants' Report*

**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund. Both are considered major funds.

The Town adopts a one-year budget for its governmental funds. A budgetary comparison statement has been provided.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, the Town's assets exceeded liabilities by \$705,219. Approximately 74 percent of the Town's net assets reflect its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

*See Accountants' Report*

**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

**Net Assets**

	<u>Governmental</u> <u>Activities</u>	
	<u>2006</u>	<u>2005</u>
Noncapital assets	\$ 201,108	\$ 304,761
Capital assets	<u>519,807</u>	<u>314,351</u>
Total assets	<u>720,915</u>	<u>619,112</u>
Other liabilities	<u>15,696</u>	<u>13,623</u>
Total liabilities	<u>15,696</u>	<u>13,623</u>
Net assets:		
Investment in capital assets, net of related debt	519,807	314,351
Unrestricted	<u>185,412</u>	<u>291,138</u>
Total net assets	<u>\$ 705,219</u>	<u>\$ 605,489</u>

The balance of unrestricted net assets, \$185,412 (26 percent), may be used to meet the Town's ongoing obligations to citizens and creditors.

At June 30, 2006, the Town was able to report positive balances in all categories of net assets.

*See Accountants' Report*

**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

**Changes in Net Assets**

	<u>Governmental</u> <u>Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 53,025	\$ 100,760
Operating grants and contributions	49,684	18,617
Capital grants and contributions	105,500	8,034
General revenues:		
Property taxes	13,228	12,750
Sales and use taxes	67,017	63,701
Other	<u>5,391</u>	<u>5,820</u>
Total revenues	<u>293,845</u>	<u>209,682</u>
Expenses:		
General government	39,682	38,725
Public safety	74,550	89,315
Highways and streets	66,954	19,926
Parks and cemetery	21,675	18,199
Sanitation	<u>16,254</u>	<u>13,990</u>
Total expenses	<u>219,115</u>	<u>180,155</u>
Excess before special item	74,730	29,527
Special item - sale of ambulance	<u>25,000</u>	<u>-</u>
Increase in net assets	99,730	29,527
Net assets - beginning	<u>605,489</u>	<u>575,962</u>
Net assets - ending	<u>\$ 705,219</u>	<u>\$ 605,489</u>

See Accountants' Report



**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

**Governmental Activities.** Governmental activities increased the Town's net assets by \$99,730.

The increase in governmental net assets is mainly due to capitalizing the new fire truck and ambulance purchased while recognizing currently the related grants received.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund. At June 30, 2006, the unreserved fund balance of the general fund was \$82,300, which comprises the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved general fund balance represents 19 percent of total general fund expenditures. The fund balance of the Town's general fund decreased by \$23,973 during the fiscal year ending June 30, 2006.

The capital projects fund decreased mainly because of a transfer to the general fund to fund the purchase of the ambulance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget for the fiscal year ending June 30, 2006, was modified to provide for the previously unplanned purchase of a snow plow and improvements of the cemetery well.

**Snowville Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2006**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's investment in capital assets for its governmental activities at June 30, 2006, amounted to \$519,807 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads and similar infrastructure. The total increase in the Town's investment in capital assets for the fiscal year ending June 30, 2006, was \$205,456 (an increase of 65 percent for governmental activities). The increase in governmental capital assets was due to purchasing the ambulance and fire truck.

**Capital Assets**  
**(Net of Depreciation)**

	<u>Governmental</u> <u>Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 20,000	\$ 20,000
Buildings	80,656	85,209
Improvements other than buildings	37,424	28,934
Infrastructure	88,051	92,854
Equipment	<u>293,676</u>	<u>87,354</u>
Net capital assets	<u>\$ 519,807</u>	<u>\$ 314,351</u>

Additional information on the Town's capital assets can be found in Note 3 on page 23 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS/RATES**

The budget for the fiscal year ending June 30, 2007, is significantly reduced from the fiscal year ending June 30, 2006, where both an ambulance and a fire truck were purchased. The Town is not planning on modifying any rates for the fiscal year ending June 30, 2007.

See Accountants' Report

**Snowville Town**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Primary Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 137,812
Accounts receivable, net of allowance for doubtful accounts of \$23,000	17,804
Prepaid expenses	3,848
Intergovernmental receivables	
Property taxes receivable	8,353
Sales and use tax receivable	15,777
Fire fighting fees	12,913
B&C road fund receivable	4,601
Capital assets, net of accumulated depreciation:	
Land	20,000
Buildings	80,656
Improvements	37,424
Infrastructure	88,051
Equipment	<u>293,676</u>
 Total assets	 <u>720,915</u>
 <b>Liabilities:</b>	
Accounts payable and accrued liabilities	7,343
Deferred revenue	<u>8,353</u>
 Total liabilities	 <u>15,696</u>
 <b>Net assets:</b>	
Invested in capital assets, net of related debt	519,807
Unrestricted	<u>185,412</u>
 Total net assets	 <u><u>\$ 705,219</u></u>

*See accompanying notes and Accountants' Report*

Net (Expense)  
Revenue and  
Changes in  
Net Assets

---

Governmental  
Activities

General revenues:

Taxes:

Property taxes

Sales and use

Unrestricted inv

Special item - s

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See accompanying notes and Accountants' Report

**Snowville Town**  
**Balance Sheet - Governmental Funds**  
**June 30, 2006**

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 85,795	\$ 52,017	\$ 137,812
Prepaid expenses	3,848	-	3,848
Receivables (net)			
Accounts	17,804	-	17,804
Intergovernmental			
Property tax	8,353	-	8,353
Sales and use tax	15,777	-	15,777
Firefighting fees	12,913		12,913
B&C road	<u>4,601</u>	<u>-</u>	<u>4,601</u>
Total assets	<u>\$ 149,091</u>	<u>\$ 52,017</u>	<u>\$ 201,108</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,343	\$ -	\$ 7,343
Deferred revenue	<u>59,448</u>	<u>-</u>	<u>59,448</u>
Total liabilities	<u>66,791</u>	<u>-</u>	<u>66,791</u>
Fund balances:			
Unreserved	<u>82,300</u>	<u>52,017</u>	<u>134,317</u>
Total fund balances	<u>82,300</u>	<u>52,017</u>	<u>134,317</u>
Total liabilities and fund balances	<u>\$ 149,091</u>	<u>\$ 52,017</u>	<u>\$ 201,108</u>

*See accompanying notes and Accountants' Report*

**Snowville Town**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2006**

Total fund balances - governmental fund  
types: \$ 134,317

Amounts reported for governmental  
activities in the statement of net  
assets are different because:

Capital assets used in governmental  
activities are not financial resources  
and, therefore, are not reported in  
the funds. 519,807

Revenues not considered available are  
deferred in the funds. These include  
\$15,777 in sales and use taxes, \$12,913  
in fire fighting fees and \$4,601 in B&C  
road allotment 33,291

EMS net receivables are not considered  
available in the funds. 17,804

Net assets of governmental activities \$ 705,219

*See accompanying notes and Accountants' Report*

**Snowville Town**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balance - Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes			
Property	\$ 13,625	\$ -	\$ 13,625
Sales & use	64,059	-	64,059
Licenses and permits	1,127	-	1,127
Intergovernmental			
Grants received	119,783	-	119,783
Other	22,479	-	22,479
Charges for services	61,064	-	61,064
Earnings on investments	3,884	1,507	5,391
Miscellaneous	1,176	-	1,176
Total revenues	<u>287,197</u>	<u>1,507</u>	<u>288,704</u>
Expenditures:			
Current:			
General government	37,817	-	37,817
Public safety	268,445	-	268,445
Highways and streets	72,816	-	72,816
Parks and cemetery	29,239	-	29,239
Sanitation	16,254	-	16,254
Total expenditures	<u>424,571</u>	<u>-</u>	<u>424,571</u>
Excess (deficiency) of revenues over expenditures	<u>(137,374)</u>	<u>1,507</u>	<u>(135,867)</u>
Other financing sources (uses):			
Transfers in	88,401	-	88,401
Transfers out	<u>-</u>	<u>(88,401)</u>	<u>(88,401)</u>
Total other financing sources (uses)	<u>88,401</u>	<u>(88,401)</u>	<u>-</u>
Special item			
Sale of ambulance	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	(23,973)	(86,894)	(110,867)
Fund balances - beginning	<u>106,273</u>	<u>138,911</u>	<u>245,184</u>
Fund balances - ending	<u>\$ 82,300</u>	<u>\$ 52,017</u>	<u>\$ 134,317</u>

*See accompanying notes and Accountants' Report*

**Snowville Town**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2006**

Net changes in fund balance - government funds.	\$ (110,867)
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period ending June 30, 2006.	205,456
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>5,141</u>
--	--------------

Change in net assets of governmental activities	<u>\$ 99,730</u>
---	------------------

*See accompanying notes and Accountants' Report*



**Snowville Town**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Town of Snowville, Utah, is governed by an elected mayor and four council members. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Snowville, Utah, is not a component unit of any other entity, nor does it have any component units for which the government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all governmental activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for the governmental funds. All individual governmental funds are reported as separate columns in the fund financial statements.

*See Accountants' Report*

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement, rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected by year end. Expenditures are recorded when the related fund liability is incurred. Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*See Accountants' Report*

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *capital project fund* accounts for the acquisition of capital assets or construction of major capital projects.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

i. *Cash and Cash Equivalents*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently, the only investing is done with the State Treasurer's Investment Pool.

ii. *Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems, and lighting system, placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements. Accumulated depreciation is reported on the government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method.

*See Accountants' Report*

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The estimated useful lives are as follows:

Buildings and improvements	5 - 30 years
Equipment	3 - 15 years
Infrastructure	10 - 20 years

*iii. Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Budget and Budgetary Accounting**

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

**F. Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

*See Independent Auditors' Report*

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the deposit of the Town's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$46,058 of the Town's bank balances of \$146,058 was uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

These statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the types of authorized investments.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees - of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
State of Utah Public Treasurer's Investment Fund	<u>\$71,286</u>	<u>\$71,286</u>			

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*See Independent Auditors' Report*

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2006, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	<u>\$71,286</u>				<u>\$71,286</u>

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable.

**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities**

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets being depreciated:				
Buildings	140,463	-	-	140,463
Improvements	59,992	12,977	-	72,969
Infrastructure	96,056	-	-	96,056
Equipment	<u>258,296</u>	<u>254,385</u>	<u>102,711</u>	<u>409,970</u>
Totals at historical cost	<u>574,807</u>	<u>267,362</u>	<u>102,711</u>	<u>739,458</u>
Accumulated depreciation for:				
Buildings	(55,254)	(4,553)	-	(59,807)
Improvements	(31,058)	(4,487)	-	(35,545)
Infrastructure	(3,201)	(4,804)	-	(8,005)
Equipment	<u>(170,943)</u>	<u>(39,351)</u>	<u>(94,000)</u>	<u>(116,294)</u>
Total accumulated depreciation	<u>(260,456)</u>	<u>(53,195)</u>	<u>(94,000)</u>	<u>(219,651)</u>
Government activities capital assets, net	<u>\$ 314,351</u>	<u>\$ 214,167</u>	<u>\$ 8,711</u>	<u>\$ 519,807</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,865
Public safety	39,886
Highway and streets	6,138
Sanitation	-
Parks and cemetery	<u>5,306</u>
Total depreciation expense - governmental activities	<u>\$ 53,195</u>

See Accountants' Report



**Snowville Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 4. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 5. RISK MANAGEMENT**

Snowville Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property, and all vehicles, including heavy equipment, are insured through Utah Local Government Trust. Injuries to employees are insured through Utah Local Government Trust. Settled claims have not exceeded the Town's insurance. For insured programs, there have been no significant reductions in insurance coverage.

**NOTE 6. OPERATING LEASE**

On June 21, 2005, the Town entered into a lease agreement for a building to be used to store Town vehicles and equipment. The agreement is for five years with monthly payments of \$250. Rental expense for the fiscal year ended June 30, 2006, was \$750. Future minimum lease payments are \$3,000 for each year through June 30, 2010.

**NOTE 7. INTERFUND TRANSFERS**

The transfers reported are a result of transfers from the general fund to the capital projects fund for future major purchases. The transfers were netted against transfers from the capital projects fund to the general fund to provide funds for the ambulance purchase, a fire truck purchase and road improvements.

*See Accountants' Report*

**REQUIRED SUPPLEMENTARY INFORMATION**

**Snowville Town**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2006**

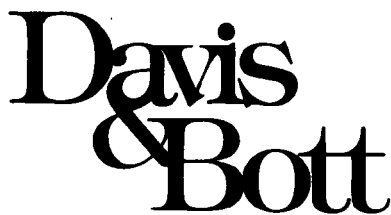
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes				
Property	\$ 14,500	\$ 14,500	\$ 13,625	\$ (875)
Sales & use	45,500	45,500	64,059	18,559
Licenses and permits	1,100	1,100	1,127	27
Intergovernmental				
Grants received	124,776	129,276	119,783	(9,493)
Other	20,500	30,000	22,479	(7,521)
Charges for service	74,600	75,100	61,064	(14,036)
Earnings on investments	3,000	3,000	3,884	884
Miscellaneous	180	180	1,176	996
Total revenues	<u>284,156</u>	<u>298,656</u>	<u>287,197</u>	<u>(11,459)</u>
Expenditures:				
General government	46,000	43,000	37,817	5,183
Public safety	247,500	266,990	268,445	(1,455)
Highways and streets	64,500	70,900	72,816	(1,916)
Parks and cemetery	16,000	34,000	29,239	4,761
Sanitation	15,600	16,700	16,254	446
Total expenditures	<u>389,600</u>	<u>431,590</u>	<u>424,571</u>	<u>7,019</u>
Excess (deficiency) of revenues over expenditures	<u>(105,444)</u>	<u>(132,934)</u>	<u>(137,374)</u>	<u>(4,440)</u>
Other financing sources (uses):				
Transfers in (out)	<u>76,500</u>	<u>78,990</u>	<u>88,401</u>	<u>9,411</u>
Total other financing sources	<u>76,500</u>	<u>78,990</u>	<u>88,401</u>	<u>9,411</u>
Special Item				
Sale of ambulance	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net change in fund balance	(28,944)	(53,944)	(23,973)	29,971
Fund balance - beginning	<u>106,273</u>	<u>106,273</u>	<u>106,273</u>	<u>-</u>
Fund balance - ending	<u>\$ 77,329</u>	<u>\$ 52,329</u>	<u>\$ 82,300</u>	<u>\$ 29,971</u>

See Accountants' Report

**Snowville Town**  
**Note to Budgetary Comparison Schedule**  
**June 30, 2006**

The Public Safety and the Highway and Streets Departments of the general fund had expenditures in excess of budget of \$1,455 and \$1,916, respectively, for the year ended June 30, 2006. This is a violation of state law.

*See Accountants' Report*



Certified Public Accountants, L.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS**

The Honorable Mayor and  
Members of the City Council  
Snowville City  
Snowville, UT 84336

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Snowville, Utah, as of and for the year ended June 30, 2006, which collectively comprise Snowville, Utah's, basic financial statements and have issued our report thereon dated November 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Snowville, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Snowville City**  
**Report on Internal Control Over Financial Reporting**  
**and on Compliance and Other Matters Based on an Audit**  
**of Financial Statements Performed In Accordance With**  
**Governmental Auditing Standards**

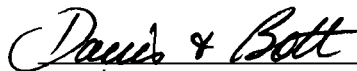
However, we noted other matters involving the internal control over financial reporting that we have reported to management of Snowville, Utah, in a separate letter dated November 6, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Snowville, Utah's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

However, we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of Snowville, Utah, in a separate letter dated November 6, 2006.

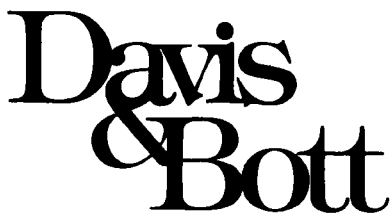
This report is intended solely for the information and use of management, the City Council, and the various state funding and auditing agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
November 6, 2006



Certified Public Accountants, L.C.

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## AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and  
Members of the City Council  
Snowville City  
Snowville, UT 84336

We have audited the accompanying financial statements of the governmental activities and each major fund of Snowville, Utah, for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. As part of our audit, we have audited the City of Snowville's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah:

- \* B & C road funds (Utah Department of Transportation)
- \* Liquor law enforcement (State Tax Commission)

The City also received the following nonmajor grants, which were not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City's financial statements.)

- \* EMS Grant (Department of Health)
- \* Arbor Day Grant (Department of Natural Resources)

Our audit also included test work on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- \* Public debt
- \* Cash management
- \* Purchasing requirements
- \* Budgetary compliance
- \* Truth in Taxation & Property Tax Limitations

**Snowville City**  
**Auditors' Report on State of Utah**  
**Legal Compliance**

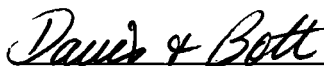
- \* Liquor law enforcement
- \* B & C road funds
- \* Other general compliance issues
- \* Uniform building code standards

The management of Snowville, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter of recommendations. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Snowville, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

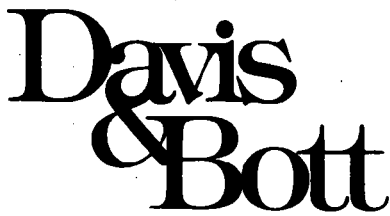


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Davis & Bott  
Certified Public Accountants, L.C.

Brigham City, Utah  
November 6, 2006





Certified Public Accountants, L.C.

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The Honorable Mayor and  
Members of the Snowville Town Council  
Snowville, UT 84336

We have audited the financial statements of Snowville Town for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Snowville Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Snowville Town taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions that we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Snowville Town may occur and not be detected within a timely period.

**RECOMMENDATIONS:**

**1. SEGREGATION OF DUTIES**

Issue - Due to the small size of the Town, there is not complete segregation of duties between the accounting records and control of the assets.

Recommendation - We recommend the Town's segregation of duties be reviewed for a cost effective way of improvement.

Response - We will implement this recommendation.

**2. PURCHASING POLICY**

Issue - The Town does not currently have a written purchasing policy.

Recommendation - We recommend the Town adopt a formal purchasing policy.

Response - We will implement this recommendation.

**3. BUDGETS**

Issue - Snowville Town had two departments in the general fund with expenditures in excess of budget.

Recommendation - We recommend the Town limit expenditures to amounts approved in the budget.

Response - We will implement this recommendation.

**RECOMMENDATIONS: (continued)**

**4. LIQUOR FUNDS**

Issue - State liquor funds received have not yet been spent on programs or projects for the prevention, detection or prosecution of alcohol-related offenses.

Recommendation - We recommend liquor monies received be spent in accordance with state law.

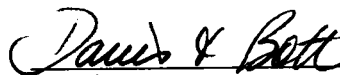
Response - We will implement this recommendation.

**CONCLUSION**

The matters discussed herein have been brought to the attention of responsible Town personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the Town's assets.



Davis & Bott  
Certified Public Accountants, L.C.

November 6, 2006  
Brigham City, Utah